

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name ABB JOINT FIRE DISTRICT	County VAN BUREN
Fiscal Year End 6/30/2006	Opinion Date 12/15/2006	Date Audit Report Submitted to State 12/26/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name James C. Baker, CPA	License Number 1101010743

A.B.B. Joint Fire District
Van Buren County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2006

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of governmental fund balance sheet/statement of net assets	4
Statement of revenues/expenditures, and changes in fund balance/ statement of activities	5 - 6
Statement of fiduciary net assets	7
Statement of changes in fiduciary net assets	7
Notes to financial statements	8 - 11
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - Operating Fund	12

INDEPENDENT AUDITORS' REPORT

**Members of the Board
A.B.B. Joint Fire District**

We have audited the accompanying financial statements of the governmental activities and the major fund of A.B.B. Joint Fire District (the District), as of June 30, 2006, and for the year then ended, which collectively comprise the District's financial statements, as listed in the contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of A.B.B. Joint Fire District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 12, is not a required part of the basic financial statements of the A.B.B. Joint Fire District, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

December 15, 2006

BASIC FINANCIAL STATEMENTS

A.B.B. Joint Fire District

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

June 30, 2006

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 168,519	\$ -	\$ 168,519
Due from local units of government, net	23,989	-	23,989
Capital assets not being depreciated - land	-	16,000	16,000
Capital assets, net of accumulated depreciation	-	630,422	630,422
Total assets	<u>\$ 192,508</u>	<u>646,422</u>	<u>838,930</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 24,846	-	24,846
Current portion of long-term debt	-	31,061	31,061
Total current liabilities	24,846	31,061	55,907
Long-term debt - noncurrent portion	-	-	-
Total liabilities	<u>24,846</u>	<u>31,061</u>	<u>55,907</u>
FUND BALANCE			
Fund balance - unreserved, undesignated	<u>167,662</u>	<u>(167,662)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 192,508</u>		
NET ASSETS			
Investment in capital assets, net of related debt		615,361	615,361
Unrestricted		<u>167,662</u>	<u>167,662</u>
Total net assets		<u>\$ 783,023</u>	<u>\$ 783,023</u>

Operating Fund - fund balance \$ 167,662

Amounts reported in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the fund. 646,422

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund. (31,061)

Net assets of *governmental activities* \$ 783,023

See notes to financial statements

A.B.B. Joint Fire District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES***Year ended June 30, 2006*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Fire protection - operations	\$ 190,184	\$ 88,649	\$ 278,833
Debt service:			
Principal	42,799	(42,799)	-
Interest	2,169	-	2,169
Capital outlay	47,388	(47,388)	-
Total expenditures	<u>282,540</u>	<u>(1,538)</u>	<u>281,002</u>
PROGRAM REVENUES			
Intergovernmental charges:			
Arlington Township	98,793	-	98,793
Bangor Township	131,266	-	131,266
City of Bangor	70,672	-	70,672
Total intergovernmental charges	<u>300,731</u>	<u>-</u>	<u>300,731</u>
Capital grants and contributions	<u>9,025</u>	<u>-</u>	<u>9,025</u>
Total program revenues	<u>309,756</u>	<u>-</u>	<u>309,756</u>
NET PROGRAM REVENUES	27,216	1,538	28,754
GENERAL REVENUES - Interest income	<u>1,627</u>	<u>-</u>	<u>1,627</u>
EXCESS OF REVENUES OVER EXPENDITURES/ CHANGE IN NET ASSETS	28,843	1,538	30,381
FUND BALANCE/NET ASSETS - BEGINNING	<u>138,819</u>	<u>613,823</u>	<u>752,642</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 167,662</u>	<u>\$ 615,361</u>	<u>\$ 783,023</u>

See notes to financial statements

A.B.B. Joint Fire District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES (Continued)**

Year ended June 30, 2006

Net change in fund balance (from page 5)	\$ 28,843
Amounts reported in the statement of activity are different because:	
Capital assets:	
Current year additions	32,276
Provision for depreciation	(73,537)
Long-term debt - payments	<u>42,799</u>
Change in net assets	<u>\$ 30,381</u>

See notes to financial statements

A.B.B. Joint Fire District
STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - Richard Beers Trust
June 30, 2006

ASSETS

Cash	\$ 11,184
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NET ASSETS

Held in trust for other purposes	\$ 11,184
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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST - Richard Beers Trust
Year ended June 30, 2006

ADDITIONS

Investment return	\$ 115
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DEDUCTIONS

Scholarships awarded	-
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CHANGE IN NET ASSETS	115
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NET ASSETS - BEGINNING	11,069
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NET ASSETS - ENDING	\$ 11,184
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See notes to financial statements

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the A.B.B. Joint Fire District (the District), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements. Also, the District is not a component unit of any other entity. The District's support is primarily provided by its sponsoring entities: Township of Arlington, Township of Bangor, and City of Bangor.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the District. Currently, all activities of the District are classified as governmental activities, primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental support and other items not properly included among program revenues are reported instead as general revenue.

Financial statements are provided for the sole governmental fund as a separate column in the basic financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized in the year for which they intended. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the District.

Additionally, the District reports the following fiduciary fund:

- Richard Beers Trust, a private purpose trust fund, that accounts for contributions and earnings thereon, that are available to award scholarships.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all intergovernmental support.

d) Assets, liabilities and fund equity:

- i) Bank deposits* - Cash consists of demand deposits and savings accounts.
- ii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.
- iii) Capital assets* - capital assets, which consists of vehicles and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Vehicles	15 - 20 years
Equipment	5 - 15 years

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities and fund equity* (continued):

- iv) *Fund equity* - In the fund financial statements, the Operating Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - CASH:

Custodial credit risk of deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2006, \$25,511 of the District's bank balances of \$182,206 was exposed to custodial credit risk because it was uninsured.

The District believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the District evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - CAPITAL ASSETS:

Capital asset activity of the District for the current year was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Building	\$ 318,342	\$ 22,751	\$ -	\$ 341,093
Vehicles	808,814	-	-	808,814
Equipment	210,361	9,525	-	219,886
Subtotal	<u>1,337,517</u>	<u>32,276</u>	<u>-</u>	<u>1,369,793</u>
Less accumulated depreciation for:				
Building	(73,233)	(8,101)	-	(81,334)
Vehicles	(468,086)	(53,921)	-	(522,007)
Equipment	(124,515)	(11,515)	-	(136,030)
Subtotal	<u>(665,834)</u>	<u>(73,537)</u>	<u>-</u>	<u>(739,371)</u>
Total capital assets being depreciated, net	671,683	(41,261)	-	630,422
Capital assets not being depreciated - land	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Capital assets, net	<u>\$ 687,683</u>	<u>\$ (41,261)</u>	<u>\$ -</u>	<u>\$ 646,422</u>

A.B.B. Joint Fire District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - LONG-TERM DEBT:

At June 30, 2006, the District has an outstanding balance of \$31,061 on the 2002 \$189,361, 4.00% Equipment Acquisition Note Payable, Bank. The note is due in monthly installments of \$3,747 including interest, through March 2007.

Long-term debt activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Bank note	\$ 73,860	\$ -	\$ 42,799	\$ 31,061	\$ 31,061

At June 30, 2006, debt service requirements were as follows:

<u>Year ended June 30:</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 31,061	\$ 483

NOTE 5 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. Significant actual expenditures in excess of budgeted are as follows:

	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Capital outlay	\$ 38,300	\$ 47,388	\$ 9,088

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The District is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

A.B.B. Joint Fire District**BUDGETARY COMPARISON SCHEDULE - Operating Fund**

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Intergovernmental support:				
Arlington Township	\$ 98,715	\$ 98,715	\$ 98,793	\$ 78
Bangor Township	131,266	131,266	131,266	-
City of Bangor	70,672	70,672	70,672	-
Total intergovernmental support	300,653	300,653	300,731	78
Donations	-	-	9,025	9,025
Interest and rentals	1,500	1,500	1,627	127
Total revenues	302,153	302,153	311,383	9,230
EXPENDITURES				
Fire protection:				
Wages	85,845	65,362	61,542	3,820
Repairs and maintenance	34,100	36,100	35,874	226
Insurance	25,100	26,146	26,146	-
Fringe benefits	22,375	13,735	13,181	554
Operating supplies	11,500	14,500	14,015	485
Utilities	7,330	7,000	6,769	231
Phone	4,000	2,500	2,279	221
Professional services	14,600	15,900	15,120	780
Payroll taxes	6,570	6,570	4,539	2,031
Education and training	4,100	4,725	4,581	144
Office supplies and other	3,100	6,975	6,138	837
Total fire protection	218,620	199,513	190,184	9,329
Debt service:				
Principal	38,000	42,800	42,799	1
Interest	6,000	2,175	2,169	6
Capital outlay	25,450	38,300	47,388	(9,088)
Total expenditures	288,070	282,788	282,540	248
CHANGE IN FUND BALANCES	14,083	19,365	28,843	9,478
FUND BALANCES - BEGINNING	138,819	138,819	138,819	-
FUND BALANCES - ENDING	<u>\$ 152,902</u>	<u>\$ 158,184</u>	<u>\$ 167,662</u>	<u>\$ 9,478</u>